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BXB.AX - Brambles Limited Extraordinary General Meeting

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CORPORATE PARTICIPANTS

Stephen Johns *Brambles Limited - Acting Chairman and Non-executive Director*

Graham Kraehe *Brambles Limited - Chairman and Non-executive Director*

Tahira Hassan *Brambles Limited - Non-executive Director*

Doug Duncan *Brambles Limited - Non-executive Director*

David Gosnell *Brambles Limited - Non-executive Director*

Luke Mayhew *Brambles Limited - Non-executive Director*

Tom Gorman *Brambles Limited - CEO*

CONFERENCE CALL PARTICIPANTS

Jack Tilburn *Shareholder*

Mary Curran *Australian Shareholders' Association - Spokesperson*

George Canary *Shareholder*

Reginald Wiltshire *Shareholder*

PRESENTATION

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Well, good morning, ladies and gentlemen. My name is Stephen Johns and it is my pleasure to welcome you to this morning's meetings. The Scheme Meeting to be held today has been convened in accordance with orders of the Federal Court of Australia dated 23 October 2013. Pursuant to these orders, Graham Kraehe, the Chairman of our Board, was appointed by the Court to chair the meeting and, in his absence, I was to be the Chairman. Regrettably, Graham is not able to travel to Sydney today. While Graham has recovered from a recent operation, he is not able to travel from his home in Melbourne so instead joins us by video conference. As a result, I will chair both the Scheme Meeting and, pursuant to the Brambles constitution, I will also chair the General Meeting that follows.

Good morning Graham, it's good to see you today.

Graham Kraehe - *Brambles Limited - Chairman and Non-executive Director*

Good morning.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

On stage with me today on my far right, is Non-executive Director, Carolyn Kay; on my immediate right, Company Secretary, Robert Gerrard; to my immediate left, I'm sure you know, Tom Gorman our CEO; and, to Tom's left, our Chief Financial Officer, Zlatko Todorovski.

Four of our directors are based overseas and, given the cost and time involved if they were to travel to Australia, they are joining us today by videoconference. Tahira Hassan and Doug Duncan are located in North America and join us today from our Atlanta office. Good afternoon Tahira, good afternoon Doug.



Tahira Hassan - *Brambles Limited - Non-executive Director*

Good afternoon.

Doug Duncan - *Brambles Limited - Non-executive Director*

Good afternoon Stephen.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Luke Mayhew and David -- good afternoon David Gosnell and Luke Mayhew join us from London, where they are located. It's quite late in the evening there and welcome to you guys from London as well, thank you.

David Gosnell - *Brambles Limited - Non-executive Director*

Good evening Stephen.

Luke Mayhew - *Brambles Limited - Non-executive Director*

Good morning Stephen.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

That's right. You're more correct than David, Luke, yes. Unfortunately, two of our Australian directors, Tony Froggatt and Brian Schwartz, are unable to be with us today due to prior commitments, which they were just unable to change. They both send their apologies to the meeting.

I have much pleasure in welcoming to today's meetings the Recall Chairman, Dr Ian Blackburne, and the Recall Chief Executive Officer, Doug Pertz, so they both sit here in the audience in the front row. Warm welcome to you. Thank you.

We are holding two separate meetings today. At the first meeting, we are asking shareholders to approve the Scheme of Arrangement to demerge our information management business, Recall, as a separate company, to be called Recall Holdings Limited. The terms of that Scheme of Arrangement are set out in Annexure A of the Scheme Book sent to shareholders. The Court has directed that a meeting of shareholders be convened for this purpose, which I am referring to as the Scheme Meeting. The Scheme Meeting is required to comply with the order of the Court and the requirements of Section 411 of the Corporations Act.

There is only one resolution to be considered at the Scheme Meeting, namely to approve the Scheme of Arrangement through which we propose to effect the demerger.

The second meeting is a General Meeting, at which we will be considering two resolutions. The first of these resolutions is to approve a reduction of capital in Brambles. This is a technical requirement to implement the demerger. For the demerger to proceed, shareholders will need to approve both this resolution and the Scheme of Arrangement in the first meeting.

The second resolution in the General Meeting relates to the approval of certain benefits under the employment contract of Mr Pertz as the Recall CEO. While the Board believes the resolution, the resolution in relation to Mr Pertz's employment contract is extremely important; its approval is not required for the demerger to proceed.



We will be holding a poll on all the resolutions before these meetings. Lee Marshall of our share registry, Link Market Services, has been appointed Returning Officer. I will now open the poll for both meetings.

Any shareholders leaving early may place their completed yellow and pink voting cards in the ballot boxes by the exit door. I'll explain the voting procedure when we reach the formal part of the first meeting. At the conclusion of the second meeting, Brambles' directors and management team, together with Dr Blackburne and Mr Pertz, invite you to join us for morning tea.

Now we can move on to the first meeting of the day and formally open the Scheme Meeting of shareholders of Brambles Limited. I note that a quorum for this meeting is present. As I mentioned in my earlier introduction, in Graham Kraehe's absence, I have been appointed by the Court as the Chairman of the Scheme Meeting.

The Notice of the Scheme Meeting was included in the Scheme Book sent to shareholders. Copies of the Scheme Book are available outside in the registration area if you don't already have them. I propose to take the notice as read.

I will speak to you this morning about why the Brambles Board unanimously recommends that you approve the Scheme of Arrangement. I will then talk about the Recall business and the Brambles business after the demerger. Finally, I will give you an outline of the demerger process itself.

Brambles' Directors unanimously recommend you approve the demerger for the following reasons; it enables Brambles, after the demerger, and Recall to focus on their core businesses. In Brambles' case, this core business is provision of pooling solutions for pallets, crates and containers used mostly in the consumer goods and fresh food supply chains. In Recall's case, this core business is the management of both physical and digital information throughout its life cycle, including secure storage, protection, retrieval and destruction of documents.

As pooling solutions and information management are very different businesses, with different operating and financial profiles, the growth objectives and capital requirements for these two industries are very, very different. The demerger will enable each of Brambles and Recall to focus on their respective growth objectives and to allocate capital to their respective businesses, in line with their specific needs.

By separating the two companies, we are providing shareholders with the choice to invest in two independent ASX-listed companies both with substantial scale in their own industries and extensive international footprints.

Finally, your Brambles Board believes the demerger is the best way of enhancing shareholder value over the long term compared with the currently available alternatives. Details of the advantages, disadvantages and risks of the demerger are fully set out in the Scheme Book.

After the demerger, Recall Holdings Limited will be listed on the ASX but remain headquartered in Atlanta, Georgia in the USA. Recall will also have a corporate office here in Sydney.

Established by Brambles in 1999 as an integration of several existing Brambles' businesses, Recall has evolved to become one of only two global providers of information management solutions, spanning both physical and digital information.

Today, Recall operates in 23 countries. It has leading positions in North America, Brazil, Europe, Australia, New Zealand and Asia and remains well positioned for growth in a growing industry. This growth outlook is supported by a stable revenue base underpinned by recurring revenues and attractive cash flow characteristics.

Recall has a diverse and high quality customer base and an experienced management team. Ian Blackburne, who I introduced a moment ago, Ian Blackburne will be the Chairman of Recall and will be joined on the Recall Board by Doug Pertz, Tahira Hassan, who also remains on the Brambles' Board, as well as Mr Neil Chatfield, an experienced non-executive director of several ASX-listed companies and a former public company CFO in Australia. And Ms Wendy Murdock, a former global executive with MasterCard and Citigroup, and she's based in the USA.

Recall's Board has confirmed that it intends to target an initial dividend pay-out ratio of at least 60% of Recall's consolidated net profit after tax. This is, of course, subject to the discretion of the new Recall Board. Recall expects to begin paying dividends in September or October next year, in 2014, on earnings generated in the six months to 30 June 2014.

The Board of Brambles has confirmed that Brambles intends to retain its progressive dividend policy after the demerger, and that will be in Australian dollars. As we stated in the Scheme Book, the Brambles' Board intends to keep the annual dividend at least at the level of the 2013 financial year, namely AUD0.27 per share. The Brambles Board's intention, subject to the Company's financial performance and cash requirements, is not to rebase the dividend to reflect the demerger.

I would now like to outline the demerger process. As I previously indicated, the demerger involves the separation of the Recall business from the Brambles Group into a separate independent holding company called Recall Holdings Limited and it will be trading under the ticker, REC.

If the demerger is approved, eligible Brambles shareholders will receive one Recall Holdings share for every five Brambles shares they hold on the record date of 16 December 2013.

Trading in Recall shares will start on a deferred settlement basis on 10 December, next week. Immediately after the demerger is implemented, shareholders will have the same economic interest in the businesses operated by Brambles and Recall as they did immediately before the demerger. Full details of this process are set out in the Scheme Book. Thank you.

QUESTIONS AND ANSWERS

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

So I'll now open the floor to questions, before we move on to the formal part of the Scheme Meeting. Only shareholders or their proxies or Company representatives are entitled to speak at this meeting. If you would like to ask a question, please use a microphone, show your yellow voting card or red nonvoting shareholder card and give the attendant your name. If you are unable to get to a microphone then please raise your hand and an attendant will bring a microphone to you.

Are there any questions? Question number two, at microphone two.

Operator

Mr Chairman, I'd like to introduce Jack Tilburn.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Good morning Jack.

Jack Tilburn - *Shareholder*

Yes, good morning to you as the great big Acting Chairman, Mr Stephen Johns and the other Board representatives you have there. I am not able to come on board with this demerger. I told the AGM of Brambles that I had written to a Mr Gerrard, the Secretary, who never replied to me. Then I wrote to Mr Kraehe and he never replied to me either. So I have my certain conspiracy suspicions about the possible demerger of Brambles and Recall.

But firstly I'd like just to make a complaint, looking around at the very, very small audience, hardly noticeable, why did we -- why, the question is, why, did we have to have the ungodly hour of a 9.00am start? Most companies start at 9.30 or 10.00, or even 10.30. Some even start at 11.00am.

But I think it's sort of a punishment to shareholders and stopping them to come because today transportation problems are very difficult. I had to arise at 6.00am to get here from Dee Why and I don't think that that's a proper methodology to follow, arising at 6.00am for a meeting as Wesley Conference Centre at 9.00am.

Before I just finish, I heard you outline certain arrangements, thank you Mr Stephen Johns, and they're all right for some people. Myself, I don't find them at all comfortable nor what I thought about the demerger when I heard of it even perhaps late last year, 2012. I find the book quite confusing, quite complex and quite controversial. I think there's things in it from my perspective in the booklet that seem to be dysfunctional, that seem to be disorganised and even seem to be dangerous, because you're going to split Brambles, as you very well know Mr Stephen Johns, and they're going to be two companies going along.

Well, I won't get into it at the moment because maybe later on for the next one or two meetings. I found in the booklet against the demerger disadvantages. At least 30 items and issues which are very big, very large, very involved and those 30 disadvantages turn me right off.

I'll also try to come back later and talk about the remuneration arrangements for Mr Pertz.

Thank you for listening Mr Stephen Johns.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Well thank you Jack and at the outset let me say that I appreciate your comments and will take on board your comments, particularly about the early start. I can assure you in setting this time there's no conspiracy theory behind it, there's no adverse intentions, but I'll certainly take that, and my colleagues at the Board, will take that on notice.

I also apologise if the Company didn't communicate with you the way you would have liked. But let me say this, that we -- as I said in my speech, the Brambles Board is firmly of the view that this is advantageous for shareholders in the short, medium and long term. There are potential disadvantages and there are potential risks, and they were all clearly set out in the Scheme Book. We are of the view that the advantages far outweigh the disadvantages and the risks -- they're risks which we can well manage and the Brambles management team and the Recall management team are well aware of them and we'll put processes in place to manage them.

Scheme Books -- if I can just make a comment as a non-lawyer -- they are very detailed and they're very complex but they follow a very well-worn path required by the Corporations Act and indeed by the Federal Court, or the Supreme Court if you go to the Supreme Court, so we're bound by that. I do think that the letter from our Chairman, Graham Kraehe, at the front, and that the summary and the overviews were very clear and provided a very good overview and outline for shareholders.

So I don't think they were disorganised but the rest -- and I certainly don't think they are. I was Chairman of the Due Diligence Committee so I have to take some responsibility or credit for the book. But I understand your comments but the real issue is here, is this in the best interests for Brambles shareholders? We, as a Board, firmly believe that it is and that's why we've come to shareholders today to seek approval.

Are there any other questions? Also on microphone two.

Operator

Mr Chairman, I'd like to introduce Mary Curran.

Mary Curran - *Australian Shareholders' Association - Spokesperson*

Thank you, good morning. My name is Mary Curran, today I'm representing the Australian Shareholders' Association, about 200 shareholders, about 1 million shares, and I'm also a personal shareholder.



It's a bit like a groundhog day here today. At least after the demerger we won't be talking about the sale of Recall again. I will be voting the shares in favour.

I keep imagining a pristine, white, Recall truck spinning its wheels and instead of paper, 100 dollar bills, both US and Aussie, flying everywhere into the pockets of advisors, accountants, solicitors, printers, but not shareholders. Why did we go this torturous route? Could we have saved ourselves both time and money by doing what we're doing today? Thank you.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Well thank you Ms Curran, and I think your comment is consistent with what you advised at the Annual Meeting. It's a fair comment, it's a fair question. Those people who've read the Scheme Book, and I assume everybody here today has, all shareholders have, will know that the total cost of the transaction was \$62 million. In anybody's language in absolute terms that's a lot of money. But I think always you need to look at things in context, in the context of what we're doing, and in relative terms.

We today in Brambles, yesterday our share price was AUD9.44 and our market capitalisation is some AUD14.8 billion, so we're a very large company, we're in the ASX 20 as we all know.

The \$62 million in absolute terms, yes it's a very big amount of money but it's about 0.4% of our market capitalisation. In fact, it's a little bit less than \$0.04 per share.

So I think in the context of what we're doing the advantages that we as a Board believe the demerger will bring both to Brambles and to Recall for the reasons we have outlined in the Scheme Book and the reasons that I also repeated here in my address this morning. I think the \$0.04 will be a very good investment in the short, medium and long term in getting a company which can focus on its core business for Recall, getting a company like Brambles which will focus on core business of pooling solutions, the allocation of capital, are the other good reasons why we think this is in the best interests of shareholders. So yes, it's a large amount of money.

I'll add, once again as Chairman of the Due Diligence Committee, I oversaw the amount of work which went into this. I don't think that anybody who hasn't actually been part of a project team like this would understand how much work has gone into it, both by our excellent management team and our very good advisors. I also assure you that the reviewing of their fees, the fees of the advisors beforehand was done in great micro detail by our finance people.

So yes, we didn't throw the money away foolishly, we looked at each item very carefully. Yes, it is a lot of money but if you look at it in the overall context, look at the big picture which is really \$0.04 per share, if we can't generate -- if the Board is correct in its assessment and we can't generate more than \$0.04 per share in value in the short, medium and long term for our shareholders, of that I would be very disappointed. So I do acknowledge your point but I think it's money which we didn't want to spend but had to spend in order to achieve the result that we're voting on today.

Are there any other questions? I think there's a question on microphone one.

Operator

Mr Chairman, I'd like to introduce Mr George Canary.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Good morning.



George Canary - *Shareholder*

Good morning. I've been a shareholder of Brambles since 1955 and I back up Jack's comments about this early start. I now live at Gosford so I've got to get up a lot earlier than Jack. So you haven't explained why you called the meeting for 9.00am this morning. It seems to be an outrageous time, particularly for older shareholders too. So you've got to learn a few things as you go along. Thank you.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Well thank you very much for your comment; we'll certainly take that on notice. I won't try and apologise for the early time because I see it has inconvenienced a number of our shareholders and maybe more shareholders might have come to the meeting otherwise.

One thing is important just to understand from a logistical point of view is that companies arrange their annual meetings well in advance, probably a year in advance, and sometimes it is difficult to get times and locations. So an extraordinary General Meeting wasn't planned a year ago, it was only planned a few months ago when we announced the demerger proposal, so we had to seek a venue which could accommodate us and that's why we're here today at 9.00am. But I fully understand your point and there's absolutely no reason if we could have got a location and a venue at a later time in the morning or even the afternoon we would have done so. Thank you.

Microphone two as well, thank you.

Operator

Mr Chairman, I'd like to introduce Mr Reginald Wiltshire.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Good morning.

Reginald Wiltshire - *Shareholder*

Good morning Chairman, good morning Board. My question concerns capital gains tax, in the event shareholders that sell their shares, they won't know their situation and where they stand. It's a pity that there was no decision yet made by the commissioner before the meeting and they were in limbo if they decide to sell their shares, in regard to their tax liability. That's in regard to Brambles as well.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Thank you for that question, tax is always an important issue. Before I answer any question on tax I have to say that I'm not a tax expert and I'm not allowed to give tax advice and that one needs to get one's own tax advisors to provide you with the advice. However, the Scheme Book refers to various tax rulings that we are seeking and that we have sought. We have actually sought four tax rulings, three of those relate to Recall and Brambles themselves.

There are tax rulings in Australia from the Australian Taxation Office and from the tax authorities in Canada and the US. We have all three of those rulings and therefore from a tax point of view we're in very good shape in terms of the work we had to do internally within the Brambles Group in order to establish Recall Holdings as a separate holding company.

The one remaining item is the one you referred to, and correctly, and thank you for bringing it to the attention of the meeting -- well, highlighting it to the attention of the meeting, which is the effect on Australian shareholders. We are waiting on the ruling from the ATO. We have -- by their very nature they will not give that ruling until the demerger is actually approved and in place. We are very confident, very confident, that there will



be no adverse tax consequences to Australian shareholders as a result of the demerger. But, at this stage, I can't give you an iron clad guarantee because we have to wait for the Tax Department ruling.

Reginald Wiltshire - *Shareholder*

I understand. Okay Chairman, thanks for that info. The other question Chairman --

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Sorry, can I --

Reginald Wiltshire - *Shareholder*

--one other question --

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

-- can I just add to that, I'm sorry to interrupt, we will be putting all details about eh tax ruling from the ATO, the Australian Taxation Office, on Brambles' website when we have it, which we expect will be not very shortly after the demerger.

Reginald Wiltshire - *Shareholder*

Thank you. The other questions, Chairman, I have is the figure that's been set in the book in regard to small shareholders who are able to sell their shares directly through this offer. Why was the cut off at 2500 Brambles shares?

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

I think this is a facility really just to facilitate very small shareholders being able to sell on the market with our brokerage and without and hassle, without that many small shareholders wouldn't have access necessarily to brokers and the like. So we had to have the cut-off point somewhere and we felt that anybody -- maybe wrongly -- but our view and the view of our advisors was that anybody who had more than 2500 shares would have the facility to be able to look after their own affairs, make their own sales on the market through their own brokers. But it really is not an essential part of the demerger but it's something which we did in order to just facilitate liquidation of holdings by very small shareholders.

Reginald Wiltshire - *Shareholder*

Yes, thank you.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Are there any other questions? No further questions. Thank you.



PRESENTATION

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

I will now move to the formal part of the meeting. You are being asked to vote on a resolution to approve without modification the Scheme of Arrangement, which is proposed to be made between Brambles Limited and its shareholders.

The Corporations Act requires that, for the Scheme to be approved, a majority in number of the shareholders present at this meeting, by person or by proxy, must vote in its favour and that this majority must hold at least 75% in value of Brambles Limited shares in respect of which votes are cast at the meeting. This is a dual test, which is one reason why it has been decided to hold poll.

I will now explain the voting procedure. If you are entitled to vote on the Scheme Resolution, you will have been given a yellow voting card. As stated in the notice of this meeting and on the shareholder voting form, I will be casting any discretionary proxy votes that have been given to me in favour of the Scheme Resolution. The resolution and the proxy position are displayed on the screen behind me. Please now mark your yellow voting card for the Scheme Resolution.

This concludes the business of the Scheme Meeting and I now declare the Scheme Meeting formally closed. However, you should wait to place your Scheme Meeting poll cards in the boxes provided until after the General Meeting. The polls will remain open for 10 minutes after the General Meeting for that purpose. As the Chairman of this Scheme Meeting, I will report the results to the Court and these results will also be released to the ASX and posted on the Brambles' website later today.

I will now move on to the second meeting for today, which is the General Meeting, which I now formally open. As I noted earlier, in Mr Kraehe's absence I will chair this meeting.

The notice of the General Meeting was set out in the Scheme Book sent to you and I propose to take the notice as read. I note that a quorum is present for this meeting. There are two resolutions to be considered at this meeting, both of which are proposed as ordinary resolutions. The voting procedure for this meeting is the same as for the Scheme Meeting, except that you should use the pink voting card which was given to you when you registered. Again, only shareholders or their proxies or Company representatives are entitled to speak at this meeting.

As stated in the notice of General Meeting and on the shareholder voting form, I will be casting any discretionary proxy votes that have been given to me in favour of each of the items of business. The voting position for each resolution will be shown on the screen at the appropriate time. At the conclusion of the meeting, please place your completed yellow and pink voting cards in one of the ballot boxes that are located by the exit doors.

Now turning to the business itself. The first item of business is the Capital Reduction Resolution. This is of a technical nature, I'd actually say a highly technical nature, and is an essential part of the mechanism for implementing the demerger of the Recall business. The capital reduction is a return of capital on Brambles Shares which, under the Scheme, will be applied as part of the consideration for the transfer of shares in Recall Holdings Limited to Brambles Shareholders who are entitled to participate in the demerger. This resolution is conditional on the shareholder approval of the Scheme of Arrangement at the Scheme Meeting just held. I think you noticed from the proxy results on the Scheme Meeting that there was very, very strong support for the demerger.

The amount of the capital reduction will be determined in accordance with the formula set out in the explanatory notes to the Notice of Meeting.

QUESTIONS AND ANSWERS

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Now, are there any questions on this resolution? Resolution -- microphone two, and resolution two.



Operator

Mr Johns, I'd like to reintroduce Jack Tilburn.

Jack Tilburn - Shareholder

Thank you Mr Stephen Johns. I think this could be a relevant question at this particular time, otherwise we can't bring it up in regard to the next resolution with Mr Pertz being very ensconced in the next resolution. I've tried to read the Scheme Booklet. I don't know that I got onto your particular item than that you mentioned and the one that I want to ask. With this capital reduction arrangement we were given one share in Recall for every five of Brambles. Well, why wasn't the ratio one for every four? Why didn't it come up to one for four? Why, of course, was it picked on to be one for five?

Stephen Johns - Brambles Limited - Acting Chairman and Non-executive Director

That's a very good question Jack and thank you for it. I think your question probably, if I might rephrase it, should have been why isn't it one for one, that would have been the more logical one. In effect, in economic terms, it is one for one, because you're getting exactly the same economic interest in Recall and Brambles as you currently have in the combined entity.

We decided to go for one for five, which could have been one for four, it could have been one for six or it could have been one for 10, but we decided to go for one for five so that the actual share price when it's quoted will be a more substantial number on the ASX list. It doesn't make any difference economically; it's really a perception issue. We wanted to have a share which was certainly in the dollars, and maybe many dollar category rather than possibly in cents. So it was just a technical thing. But the important point is that the economic interest is identical. We're not raising any money from outside; we're not giving shares to any other people as part of this demerger. It's a straight share swap.

Does that answer your question Jack?

Jack Tilburn - Shareholder

Thank you.

Stephen Johns - Brambles Limited - Acting Chairman and Non-executive Director

Oh good, thank you. Are there any other questions? It is a very highly technical resolution, as I said, it is important and actually essential for us to be able to pass this for the implementing of the demerger itself.

PRESENTATION

Stephen Johns - Brambles Limited - Acting Chairman and Non-executive Director

Well, there are no other questions so this resolution now, and the proxy positions are displayed on the screen behind me. I'd ask you to now please mark your pink voting card for item number one. I intend to vote proxies granted to me in favour of this resolution.

The next item of business is the Executive Benefits Resolution. Brambles is seeking shareholder approval for certain benefits that may be payable to Recall's Chief Executive Officer, Doug Pertz, under his employment agreement with Recall. These benefits include the grant of share awards in Recall Holdings Limited to the value of \$6 million. This grant was explained and discussed in some detail at our recent AGM in October. Details of

the share awards are set out in the Scheme Book and were also included in the Remuneration Report in Brambles' 2013 Annual Report. I do not, therefore, propose to review these in detail again.

At the time of Doug Pertz's recruitment the Brambles Board was still reviewing the strategic options for Recall. Mr Pertz was recruited after an extensive global search to identify a senior and experienced US based executive who could lead and develop Recall as an independent business. The Board was and is clear that his appointment is a key element to growing shareholder value as the demerged, independent listed company which Recall will be.

The one-off grant of share awards which he would receive in Recall recognises the substantial financial opportunity he forfeited from his previous employer to join Recall. Depending on the reason and the timing of his ceasing to hold a managerial or executive office in Recall, he may be entitled to certain termination benefits in relation to those share awards. These benefits include, in certain specific and limited circumstances, the early vesting of part of the share awards. Depending upon those circumstances, they may also include redundancy and superannuation payments. Under the Corporations Act, both the grant of these awards and the termination benefits require shareholder approval, accordingly, it's on the agenda today.

QUESTIONS AND ANSWERS

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Are there any questions on this resolution? Microphone two.

Operator

Mr Chairman, I'd like to reintroduce Jack Tilburn.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Thank you Jack.

Jack Tilburn - *Shareholder*

Thank you Mr Stephen Johns. If you could clarify two or three points that I find not according to my rule of thumb governance of Australian companies with their chief executive officers, but I'm not on the inside of my 33 companies on the stock exchange and I don't always know what's going on with remuneration for chief executive officers.

Now I bring to your attention page 45, setting out some arrangements for Mr Pertz and I'll just read it. At the remuneration it says, quote, annual base salary of \$900,000 -- I think that is Australian dollars no doubt, and being increased to \$1.2 million on 1 April 2014, plus benefits comprising a relocation and motor vehicle allowance. Well that might be quite okay perhaps. Spousal travel, might be okay. Now this is one I find a bit odd, but then he's an American I believe. He's trying to get some American contributions, standard USA health benefits. Well, I'm certainly not on top of those things. Then if I find it troublesome, pension contributions. I thought that pension contributions went out and was phased out from Australian companies about eight, 10 or 12 years ago, depending on the company and the arrangements made.

So I would like you to try to clarify what are standard USA health benefits and pension contributions which I find a peculiar arrangement indeed? Thank you.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Thank you very much Jack. Firstly at the outset could I just clarify that the base salary of \$900,000 which is currently in place which rises to \$1.2 million is in US dollars. All of these items are in US dollars.

I'd also just make the point that -- and it's a bit difficult to speak with Doug sitting in the front row because I don't want him to get a swollen head if I say nice things about him, but I think I do need to say that he's a world class executive and we're very, very fortunate to have obtained his services for Recall. He's also an executive who is a resident of America, lives in America, and will work primarily in America, even though Recall has operations in 23 countries their head office is in Atlanta, Georgia, where he will be based.

In order to attract a senior executive of his calibre, of the calibre that we are seeking for Recall as a CEO we, of course, had a recruitment company do a search in America and all the conditions which are very clearly detailed here, and which were also, I might add, very clearly set out in our Rem Report in the Annual Report for Brambles, the 2013 Annual Report, were designed and needed to be designed to attract an American under US conditions. So everything you see there is actually -- some of which is unusual for Australia but it's certainly very usual for America.

From my own days -- executive days, I do recall the 401k pension plans in the USA and the like, which is very standard for executives to participate in and also healthcare is a major issue in the US and all major US corporations have health plans for their executives which are highly prized but it is part and parcel of their employment arrangements. But I might just ask Tom Gorman, our CEO, who directly employs a lot of Americans and also is an American himself, he might just give you a bit more flavour for what is common in American employment contracts.

Tom Gorman - *Brambles Limited - CEO*

Thank you Chairman. Jack, I just might clarify, perhaps it's the word pension that you're stuck on. It's not a defined benefit plan, and I think your comment is that historically we had things called pension plans that were defined benefit plans. As a company today we no longer have any defined benefit plans anywhere in Brambles and Recall is the same. So it's what's referred to as a defined contribution plan where we provide a benefit to our employees for their long term benefit and that's a standard practice. So a 401k in the US is very much like a superannuation contribution here in Australia.

So we no longer have defined benefit plans, we closed all of those out over the last number of years and now we follow a defined contribution, which really has become the standard globally. Doug, and all of the Recall employees, benefit from that defined contribution plan, so that is the standard.

I think many of you would be aware, as the Chairman indicated, providing healthcare in the US does presently fall as a burden to the employer and we provide all of our employees, not just the senior executives but all of our employees at all Brambles companies in the US, if they're full time employees they are provided with a choice of healthcare benefits, and Doug would have that same choice, as do all the employees at Recall.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Thank you Tom. Are there any other questions? Microphone two.

Operator

Mr Chairman I'd like to reintroduce Mary Curran.

Mary Curran - *Australian Shareholders' Association - Spokesperson*

Thank you. I simply find it hard to come to terms with a \$6 million golden hello. As you said it's unusual for Australia and quite frankly I don't want it to become usual. How can it be aligned with the shareholders? With reference to page 222 and 223 there's the \$1 million short term cash bonus.



Most people would work all their lives to save \$1 million and President Pertz, nothing personal, I certainly don't want him to die, only has to be around until January 2014 to get it. It's tantamount to winning the Lotto.

Also, one would think without Recall there would be less to do, or have I missed something? Will this reduction in market cap result in any reduction in executive pay for Brambles? Thank you.

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

Thanks Ms Curran. First of all let me just reiterate a few points and make a few other points on this matter. Doug in our opinion, the opinion of the Brambles Board, Doug Pertz is a world class executive. Outstanding executive. He came to us with a CV and a track record which was very attractive and exactly what we needed. The Recall Company has a very good management team, very well-schooled in information management, document storage, document destruction, the basics of its core business. But we were looking for a senior, well-travelled and well-schooled executive who has experience in public company management, taking companies from private to public and running publically listed companies. We didn't have that skill within Recall and we needed to have a senior executive of that calibre, of a world class calibre to actually lead the Company.

We used a recruitment firm in the US and we had a long list and we had a shortlist, and we had a shortlist eventually of two and Doug was the clear choice for the Brambles Board because he fulfilled all of those requirements. He ticked all of those boxes.

So he is an outstanding leader in our view and we believe he's required in order to make Recall very successful post demerger when it's a desperately listed public company.

As I said before, he is a US executive, living in the US, subject to US remuneration conditions and his package actually reflects that.

He also left considerable potential earnings on the table with his previous employer to join us and we didn't actually just go into a very simple sign on bonus, we have a complicated -- I realise it's fairly complex, grant of \$6 million share options, or share rights, in order to not only compensate him for what he potentially left on the table but also to retain his services for quite a long period of time. I'm sure you've read the detail that if and when these grants vest and they vest over three periods, and about one-third of those grants are subject to performance conditions, which is not normal in a sign on bonus. But if he's there he also doesn't collect those shares until four years after the commencement of his employment with us, or with Recall, which will be in April 2017.

Now I'll be the first to admit and suggest to you that the \$6 million sign on -- well the grants that he received on signing on with us is not usual, but is a one-off event in order to accord with the circumstance which I have outlined. When I think about what you've just said about a reduction in market cap we hope that, and believe that, this demerger will be very successful both for Recall and for Brambles. So over time we would expect the market cap of both companies to go up and what today is AUD14.8 billion for Brambles will hopefully in the future be much more when you combine the new Recall and Brambles post the demerger. So there's no reduction in market cap at all.

What we do need and what we as Board believed we needed, was an outstanding executive to lead Recall as an independent public company through effectively an IPO process. We believe we have that person in Doug, and that's what reflected in his remuneration package.

You've raised one other point which I should address, which is the \$1 million bonus. All of the senior executive team at Brambles participate in a short term incentive scheme, as I'm sure you're aware from our Rem Report. Doug, given the particular circumstances coming on with a potential demerger or even a potential sale at the time, back in March when he was appointed -- March of this year when he was appointed, he did not participate in the Brambles short term incentive scheme like all the other senior executives did, and this is in lieu of that.

Are there any other questions?



PRESENTATION

Stephen Johns - *Brambles Limited - Acting Chairman and Non-executive Director*

If not then I'll move on to the formal part of this process, the resolution and the proxy position are displayed on the screen behind me. I'd now ask you now to please now mark your pink voting cards for item two. As mentioned before, I intend to vote proxies granted to me in favour of this resolution. Please don't forget to place your yellow and pink voting cards in the boxes beside the exits.

This poll will remain open for another ten minutes, and when the poll closes you will be notified on the screen behind me. We will announce the poll results to the ASX later today and also post them on our website.

While the poll results still need to be finalised, it is clear that shareholders have provided resounding support for the demerger of Recall and its soliciting as an independent entity on the ASX, and on behalf of the Brambles Board I thank you for your support.

The demerger date and the transfer of Recall shares to eligible shareholders, proving the Court approves the scheme, and a Court meeting will be held later this week, will be the 18th of December 2013, with the dispatch of holding statements to Recall shareholders to take place on the 20th of December 2013.

So thank you for your attendance here today. I also thank my colleagues who are in London, Melbourne and Atlanta, here by video, they've been very patient on the screens over there that I can see from my vantage point here, thank you for joining us.

Ladies and gentlemen, I now declare the general meeting closed, and I invite you to join us for morning tea in the foyer. Thank you very much.

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